Whitepaper: May 2019

New Zealand Retirement Village Database (NZRVD) 2019

Contents

Introduction

We have been carrying out an annual review of the Retirement Village sector in New Zealand since 2012 so as to keep tabs on the exciting growth in the sector in recent years.

The Retirement Village sector is now very well established and beginning to enter what we see as a new and more mature phase. Stabilised assets have changed hands, there are a growing number of different owners and operators in the sector and New Zealand is increasingly recognised around the world as an exemplar for retirement living accommodation development. The retirement sector has so substantially evolved as to now have become a recognised key part of the housing solution for the New Zealand's seniors' population.

This market review represents the overview conclusions from our Retirement Village database analysis to November 2018, incorporating the latest NZ population estimates to June 2018. In this document we cover NZ demographic trends, retirement village supply, participation rates in the sector for those aged 75 and over, shine the spotlight on the 'Big Six' owners and operators, examine the development pipeline and, finally, investigate the aged care sector. We await with keen interest the results of the 2018 Census to update our analysis with the latest population and demographic information, currently earmarked for release by Stats NZ Tatauranga Aotearoa for September 2019.

This summary forms the public part of our Retirement Village Sector Database and detailed market report which are available by subscription. I would encourage anyone interested in having access to the more detailed work to get in contact with our retirement village research specialist sector lead, Senior Research Analyst, Lisa Chen, who was responsible for collecting and analysing the wealth of data that goes into this work. Lisa manages database subscriptions, works with subscribers to get them additional data that they need and produces bespoke reports for clients seeking a micro-market perspective.

We hope that this summary is of interest and we look forward to engaging with you soon.

With my best wishes, Paul

Paul Winstanley

Managing Director, JLL New Zealand

New Zealand's Ageing Population

We have known for a long period of time now that New Zealand's population is ageing. This will come as no surprise and standing here in 2019 the expansion of our seniors' population is a well-established and unequivocally accepted demographic fact. Yet, of most relevance to the Retirement Village sector, the pace of change is as important as the direction. It is always helpful therefore to review and analyse the latest statistics available as to how old the present population of New Zealand is as well as to seek an understanding of what the most recent forecasts tell us about the imminent demographical changes to the retirement housing demand pool.

Estimated Population Count – June 2017 & 2018

New Zealand					
	June (Est.)		June 2017/2018		
	2017	2018	Count	% Change	Auckland
65-74 years	416,320	432,519	16,190	3.89%	26%
75-84 years	221,510	227,700	6,190	2.79%	33%
85+ years	85,220	86,730	1,510	1.77%	31%
65+ years	723,050	746,940	23,890	3.30%	28%
75+ years	306,739	314,430	7,700	2.51%	33%

Source: Stats NZ

In terms of numbers as we stand today, at a national level the population aged 65-74 years increased by a count of just over 16,000 between June 2017 and June 2018, with 26% of growth reported within the Auckland Region. The 75-84 years' age group increased by a count of just under 6,200 nationally - 33% of which were located within the Auckland Region. Finally the 85+ years age group increased by a count of around 1,500 nationally, with 31% located within the Auckland Region.

The takeaway from these figures is that although Auckland may represent a substantial proportion of our economy (and economic growth focus), the effects of ageing are being felt all across the country presently. This is not an Auckland only conundrum.

But that is just today and representative of what is happening in contemporary New Zealand to our present day population. Of equal if not greater importance is what the Government's statisticians are forecasting is the likely direction of the population's make up over the next 25 years.

So what can we glean from the latest information Stats NZ has published?

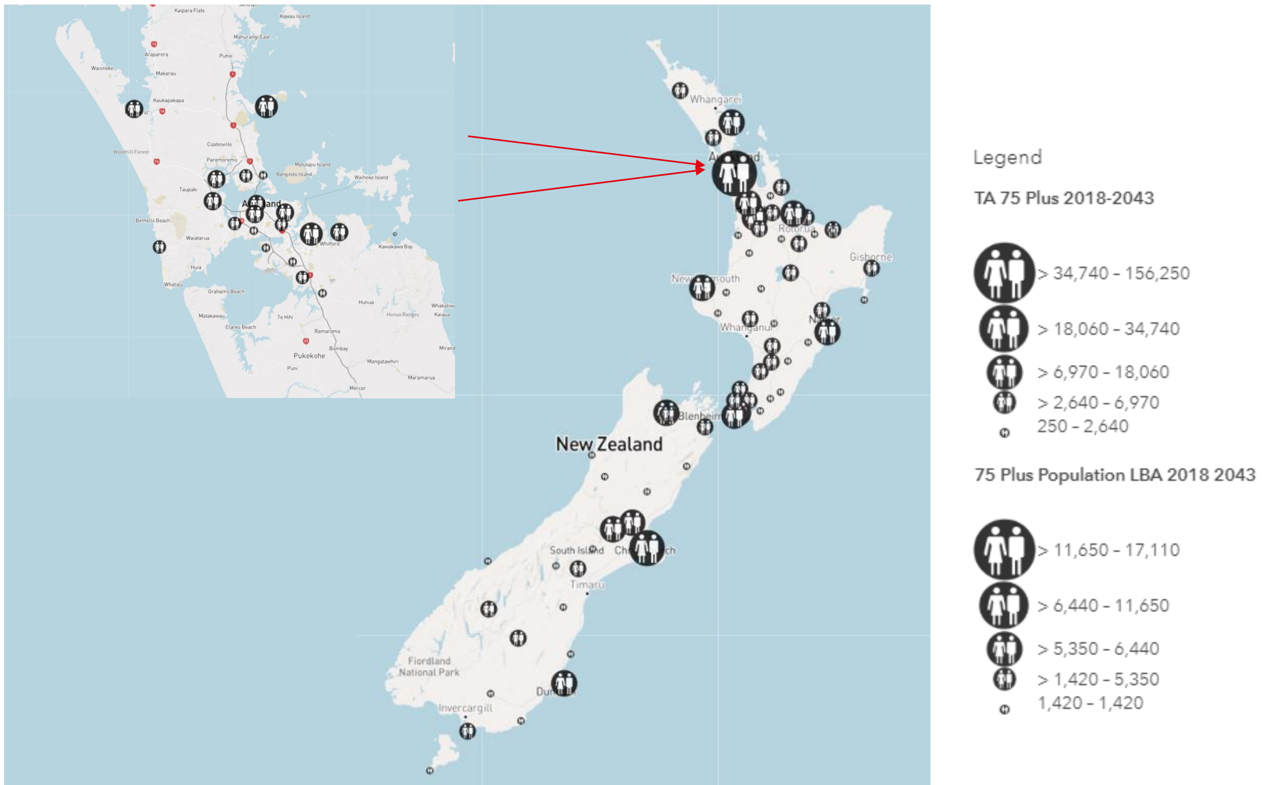
Population Forecasts 2018 to 2043 – Medium Scenario

	2018	2043	Count Change	% Change
Total	4,885,500	5,923,100	1,037,600	21%
65-74 years	432,510	586,600	154,090	36%
75-84 years	227,700	523,000	295,300	130%
85+ years	86,730	260,600	173,870	200%
65+ years	746,940	1,370,200	623,260	83%
75+ years	314,430	783,600	469,170	149%

Source: Stats NZ

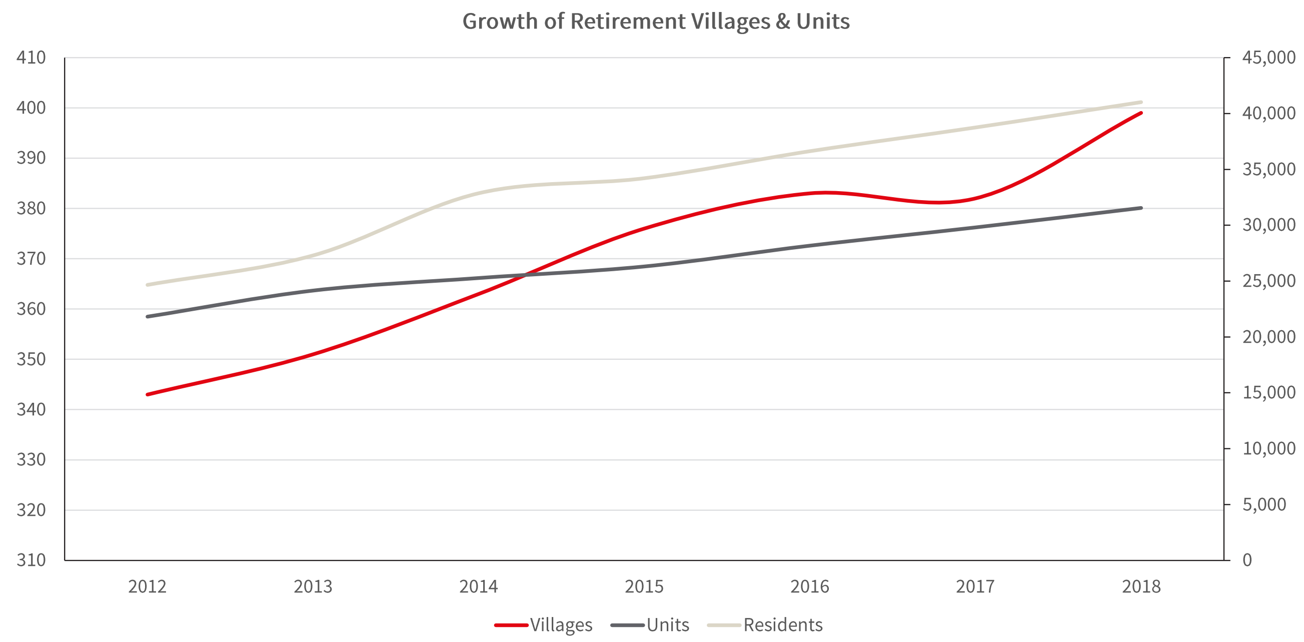
The 75+ year old population in New Zealand is forecast to increase by a count of nearly 470,000, a 149% cumulative growth rate between 2018 and 2043. From a housing perspective, this is an enormous rate of growth in a relatively short period of time.

Population Growth Distribution 2018 to 2043- 75+ yrs Age Group



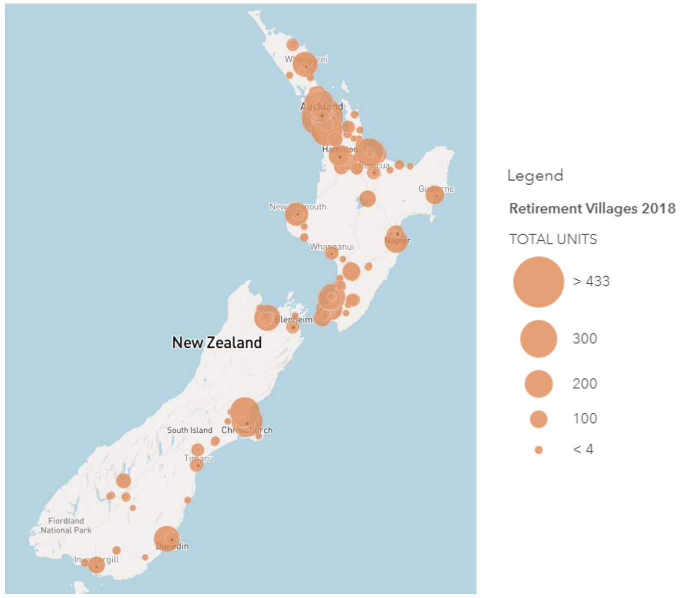
The Auckland Region is expected to capture just over 156,000 of these additional 75 year old plus residents, taking the region's count of residents within this age group from around 83,500 in 2018 to circa 240,000 in 2043 – an above New Zealand trend growth of 186% (as is logical given Auckland is our largest economic success story and is likely to remain so). Yet, again, this isn't only an Auckland phenomenon - The Canterbury Region is expected to capture over 64,500 of New Zealand's expansion in the 75+ age group population, a growth of 150%. The regions, likewise, are forecast to see significant growth in the seniors' population at way above trend levels with the distribution between the North and South Islands expected to remain relatively stable at circa 74% in the North Island and 26% in the South Island over the next 25 years.

The key 2018 Statistics of the Retirement Village market in New Zealand



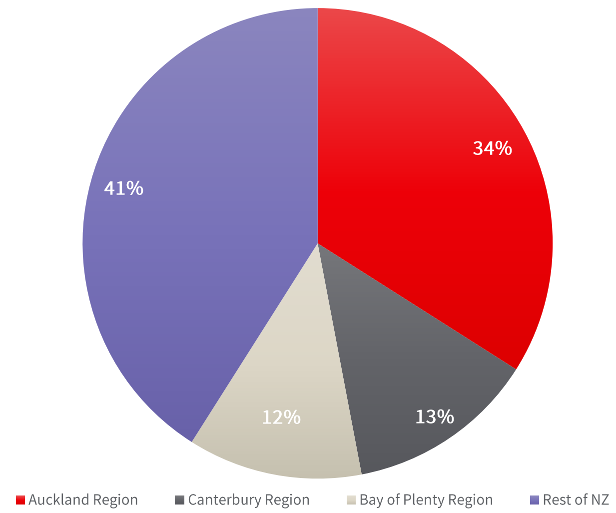
Between December 2017 and November 2018 there was a strong trend of retirement village unit growth across a majority of New Zealand's regions. Areas such as Auckland enjoyed substantial growth, increasing by 769 units and capturing 44% of the total national expansion in unit numbers. Auckland was followed in the prolific league by Bay Of Plenty which saw growth of 296 units (which was 17% of national growth), with Waikato a fair distance back in third place with growth of 194 units (which was 11% of national growth).

Retirement Village Distribution



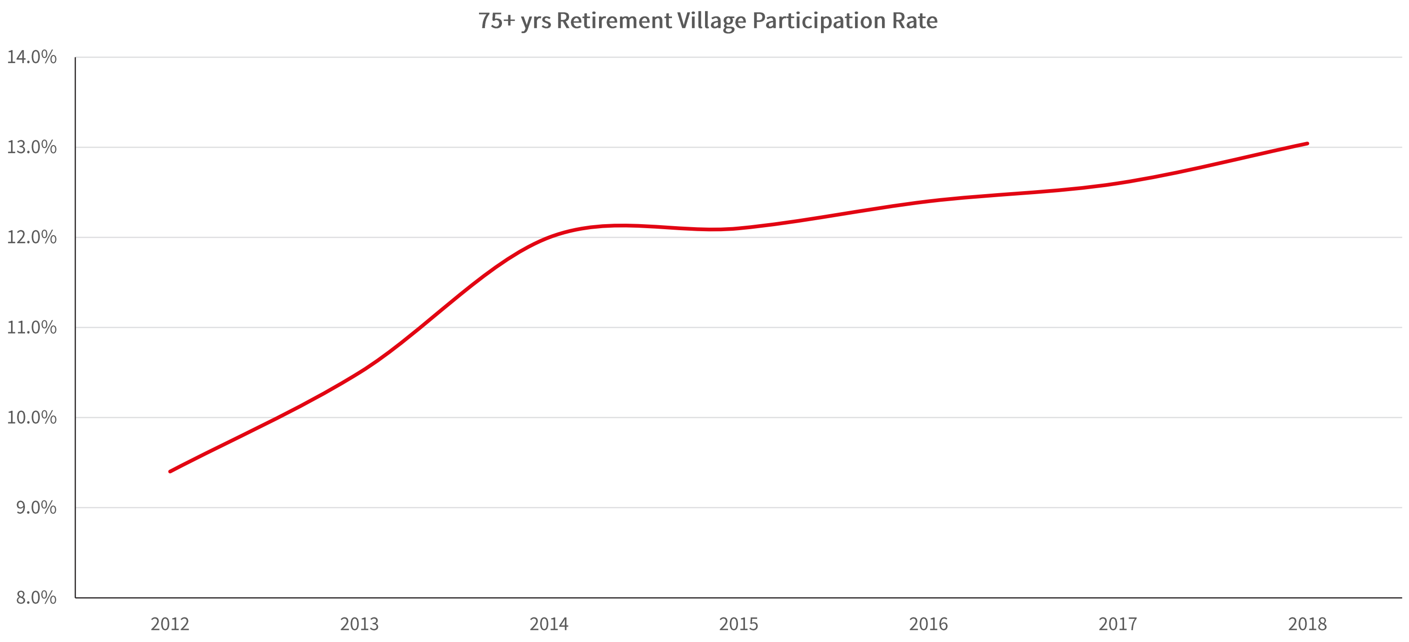
With just over 31,500 retirement village units now in New Zealand, there is an attractive geographic spread which covers much of the country although, naturally, many schemes are located in the most populated areas. In terms of the highest populations of retirement village units, 34% are located within the Auckland Region, followed by the 13% in the Canterbury Region and 12% in the Bay of Plenty Region. The remaining 41% of units are scattered across the rest of the country in more remote locations as, quite understandably, a proportion of retirees choose to relocate to more rural locations across beautiful New Zealand.

Retirement Village Distribution – Regions



On a more micro-market scale, village sizes vary greatly across the regions (as would be expected due to the number of different business models in the sector) with the average size in Auckland sitting at 118 units at one end and 41 units per village in Southland at the other. Such a tailored distribution of units is as we would expect and demonstrates the degree to which operators are analysing their markets and delivering products to match demand at a localised level. Overall though, looking forwards, we would say that villages are becoming larger and this trend is set to continue, with the average village size in the new village development pipeline being 162 units, compared to the overall database operating villages' average of 79 units in 2018. Naturally this will mean that the average village size will increase year on year while current development trends persist.

Retirement Village population participation levels – 75+ years



Cross referencing our Retirement Village database with Statistics New Zealand's population estimates enables us to effectively estimate the percentage of the New Zealand 75 year and over age bracket who reside in retirement villages across the country.

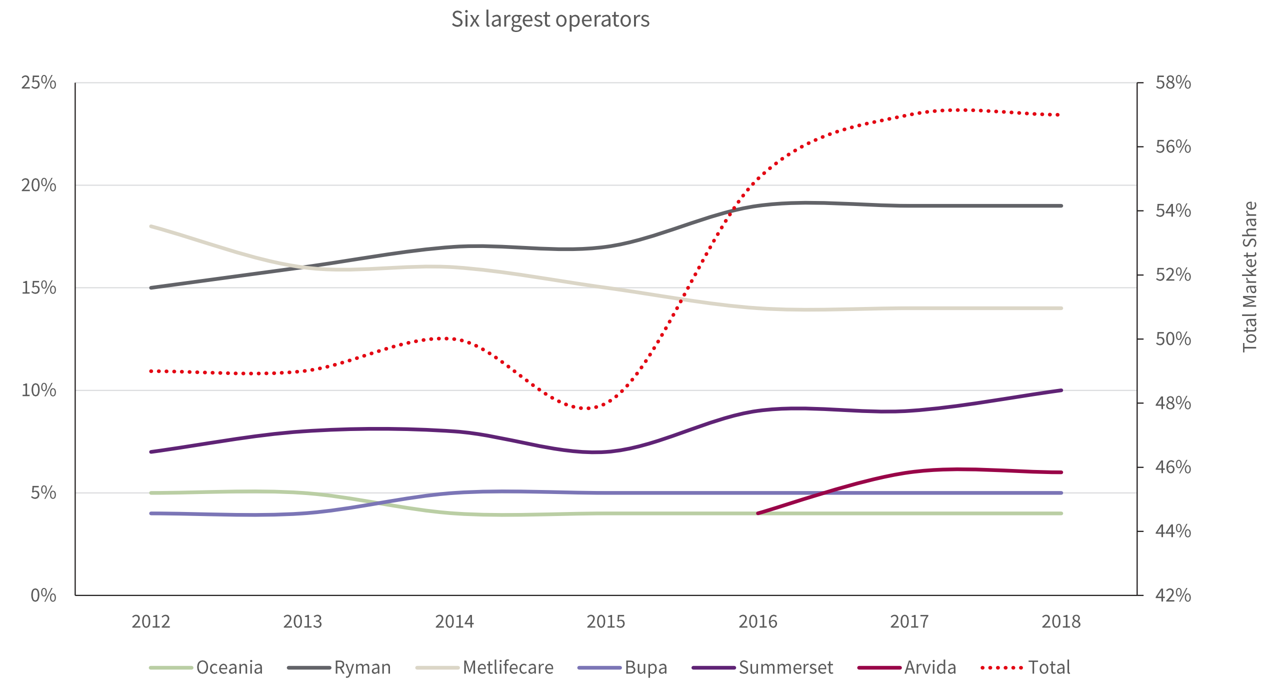
At a national headline level, our analysis suggests that the 75 plus years' participation rate in retirement villages was 13.0% in 2018, which was an increase from the 12.6% recorded the year before. The North Island has a 13.9% 75 plus participation rate, compared to 10.5% in the South Island, with the wilder, colder regions of the West Coast, Otago and Southland experiencing the lowest rates of anywhere in New Zealand.

At a regional level the highest 75 plus regional population participation rate was in the Bay of Plenty with 18.5%, followed by 17.5% in Gisborne and approximately 16.5% in Auckland. The majority of regions have shown an increase in participation between 2017 and 2018 as the supply of retirement village units in the regions are starting to catch up with the growth in residents aged 75 plus years across New Zealand.

We expect to record continued growth in New Zealand's 75 plus retirement village participation rate over the next 15 years, assuming adequate retirement village unit supply continues to be delivered by developers so as to fulfil increasing demand levels of an ageing population.

Spotlight on the six Largest Retirement Village Operators

As in previous years, as part of our research project we have focused on the six largest retirement village operators as a key part of our analysis to shine the spotlight firmly on the largest players in the sector. Clearly in any market you tend to get those investors, developers or operators who look to make their mark and maximise the scale of their operations, and retirement villages in New Zealand is certainly no different. In fact, being such a specialist sector, it is perhaps no surprise that so many of the collective retirement village units within New Zealand are in the hands of the six most prolific owners.



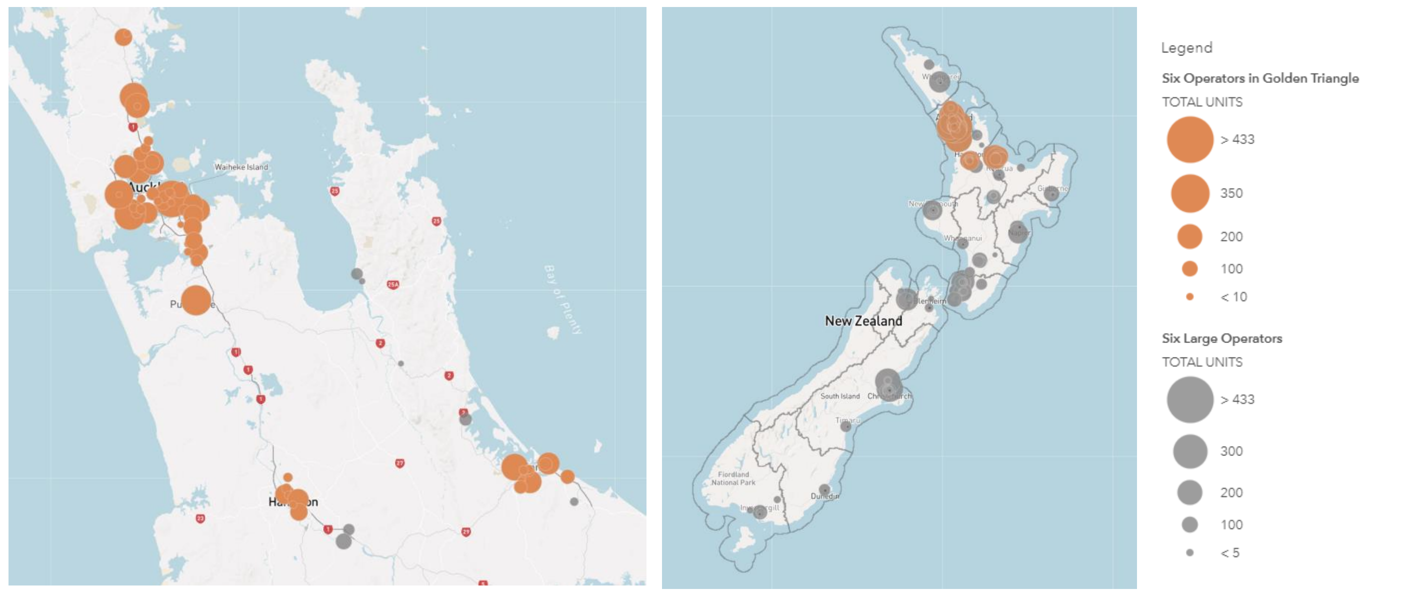
At a headline level, overall the estimated units owned by six of the largest retirement village operators – Ryman, Metlifecare, Summerset, Bupa, Oceanic and Arvida - increased from a count of 17,266 for the year to end November 2017 to 17,945 for the year to November 2018. This represented an increase of 679 units or, in percentage terms, 3.9%.

Looking back at trend data over the last seven years, we have seen a consistent, albeit gradual, expansion in the portfolios of these owners and, naturally, a growth in market share in unit numbers. Yet, interestingly, the number of villages held by the Big Six only increased by one in 2018, whereas the sector as a whole saw 12 other villages opened by non-big six operators. This shows that, in our view, the market is proliferating over time but that new developers and owners are concentrating on smaller, niche villages in a wider range of locations.

In terms of more detailed market statistics, the largest operator, Ryman has an estimated 19% of New Zealand's total retirement village units, followed by Metlifecare with 14%. Putting these two together results in Ryman and Metlifecare supplying one third of New Zealand's total units presently. And, interestingly, of the six operators, Bupa was the only operator that experienced a decline in unit numbers as well as its number of operating villages.

On the other hand, the operator with the highest increase in unit numbers was Summerset with 229 additional units, followed by Ryman with 188 additional units and Metlifecare with 153.

Golden Triangle - Six Large Operators Unit and Village Distribution

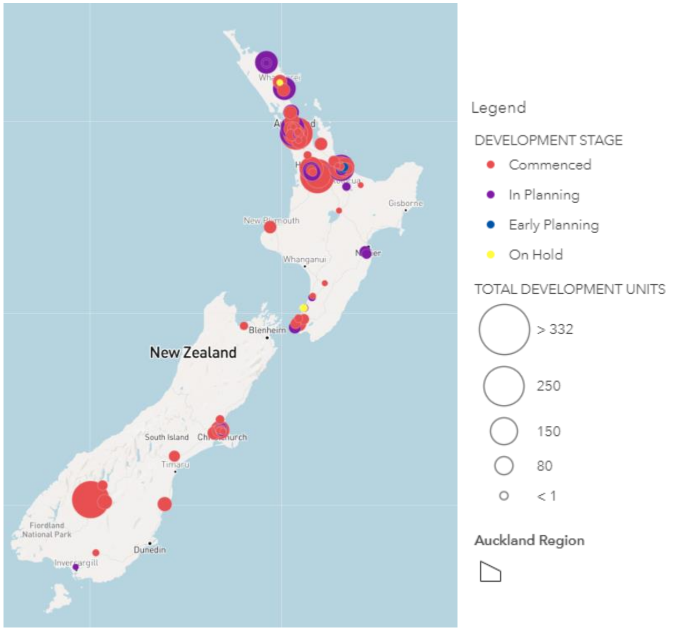


A final observation on the big six is the continued lure of the Golden Triangle, which incorporates the cities of Auckland, Tauranga and Hamilton. Tauranga City is located within the Bay of Plenty Region while Hamilton City is located within the Waikato Region. The largest retirement village operators had an estimated 62 villages and 8,420 retirement village units within the "Golden Triangle" as at November 2018, thus 38% of villages and 47% of the units supplied by these operators are located within this area. It is also the area of the country representing the highest concentration for new development for the Big Six.

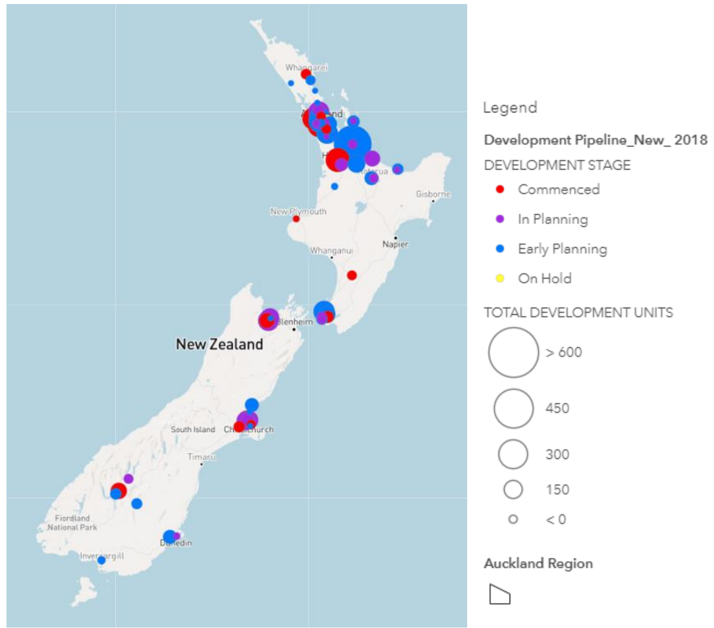
The Development Pipeline

The development pipeline section of our research looks into not only what is happening at current NZCO registered villages, but also at potential villages with planning underway. Our database records planning status, planned unit numbers and unit type so that we can track changes in trend and volume.

Currently Operating Villages Development Pipeline



New Villages Development Pipeline



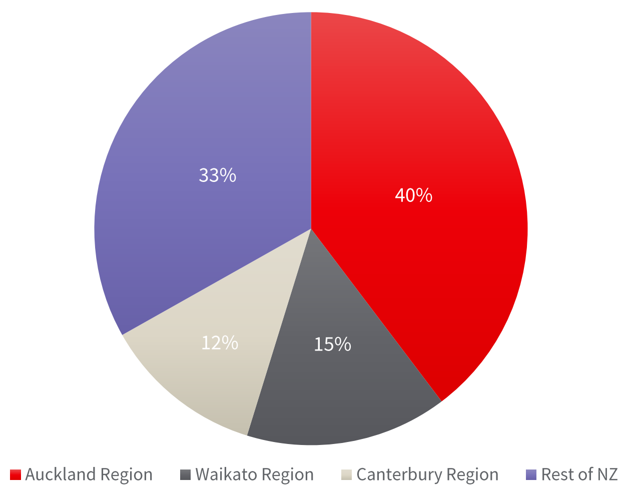
These maps illustrate the geographical distribution of the estimated units within the development pipeline at currently operating villages and new villages.

The new village development pipeline remains strong. Ten new developments were added to our pipeline in 2018, however, 16 developments were removed from development pipeline as they reached completion. Overall, the new village development pipeline had a net decrease of six with 74 new villages as at November 2018, compared to 80 in November 2017.

We feel we will have to wait another year to see if this reduction represents an established trend with higher development and land costs making schemes more difficult to deliver or whether it is the result of a relatively small market and fluctuating year on year scheme numbers.

In terms of the new villages development pipeline, there are currently more units under the stage of "Early Planning" (46%) and the "In Planning" stage (31%), followed by the "Commenced" stage (22%). And, of the 399 NZCO registered retirement villages, as at the end of 2018, 96 had some level of planned expansion within our development pipeline analysis (24%).

Development Pipeline- Regions

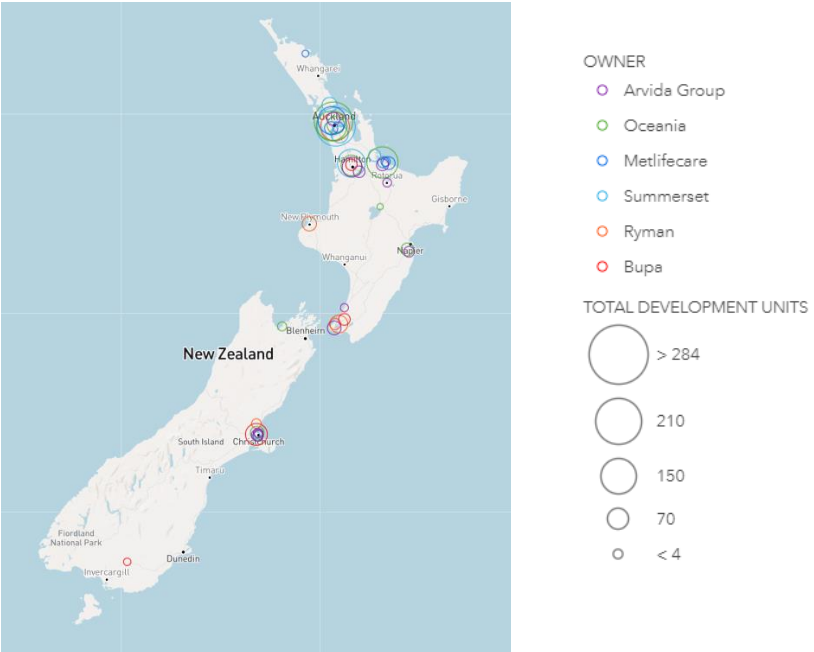


When placed in a regional context the Auckland Region captures 39.5% of the development pipeline, with nearly 7,000 units, followed by circa 15% and 2,700 units in the Waikato Region, and circa 12 %, 2,100 units, in the Canterbury Region. These three regions combined captured two thirds of New Zealand's retirement village unit development pipeline. The ratio is similar for the regions of Auckland, the Bay of Plenty and Waikato, which create the "Golden Triangle".

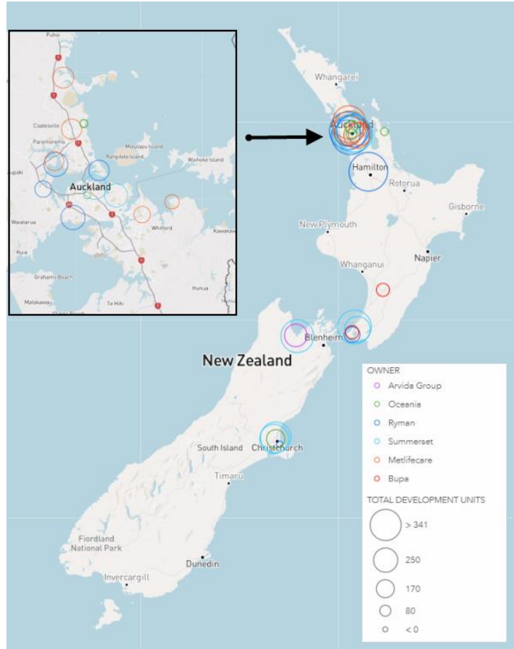
A key finding from our analysis is that there is a notable disparity between the distribution of New Zealand's population aged 75+ years across the regions and the development pipeline. For example, the Auckland Region had 27% of the population aged 75+ years as at June 2018, while the region captured 39.5% of the development pipeline units recorded. The Waikato Region had 10% of population aged 75+ years as at June 2018, while the area captured 15 % of development pipeline units. At the other end of the scale, the region of Manawatu-Wanganui captured 6% of the population aged 75+ years in 2017, but only captures 1% of the development pipeline units. Likewise, the Hawke's Bay Region captures 4% of the population aged 75+ years but only 0.6% of the development pipeline.

Going back to the Big Six, these six largest village operators have an estimated development pipeline of nearly 8,900 units, of which 40% are located at currently operating villages and 60% at new villages. And, of the Big Six's development pipeline, nearly 70% of units are located within the "Golden Triangle" of Auckland, Hamilton and Tauranga. Many of these major operators have openly been targeting this area for land banking and village development for a number of years.

Currently Operating Villages Development Pipeline



New Villages Development Pipeline



Compared to the results of the 2017 Retirement Village market review, the Big Six's development pipeline has decreased by 292 units from a count of 9,161 units in 2017, to 8,869 units in 2018. This is due to a number of completed developments exiting the pipeline.

Summerset has the largest development pipeline, followed by Ryman, Metlifecare, Oceania and Arvida. Both Summerset and Ryman focus significantly on new villages (over 70% of their development pipeline). Summerset particularly, is anticipating an increase to their build rate to an average of 600 retirement units a year - during 2018 alone, they acquired three sites in Napier, New Plymouth and Papamoa to help propel their own pipeline forward.

Oceania particularly had a 64% increase in its development pipeline in the year to November 2018. This has been supported by their sizeable brownfield development programmes as well as the redevelopment of their existing villages for intensification. Lady Allum Retirement Village in Milford for example, where planning continues to demolish the current residential care building and replace with 6 new buildings encompassing 280 apartments.

New Zealand Aged Care Database - NZACD 2018

Alongside the main Retirement Villages database analysis, we also record aged care facilities (such as rest homes, hospitals and dementia care), within the New Zealand Aged Care Database. This database is also updated each year in November.

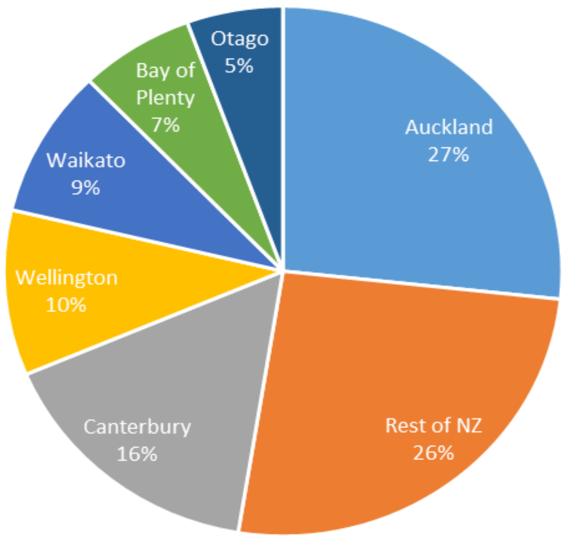
As of November 2018, we recorded the removal of 12 aged care facilities from the marketplace and the addition of 8 new facilities, which resulted in a net decline in aged care facilities from 676 to 672 for Aged Care schemes 2018. With that being said, total bed numbers increased by 128 since November 2017 as new developments were considerably larger than the ones removed from the sector. Particularly, hospital beds increased by 300, which is consistent with increasing demand for hospital care as the population ages.

The removal of aged care facilities was due to a combination of reasons:

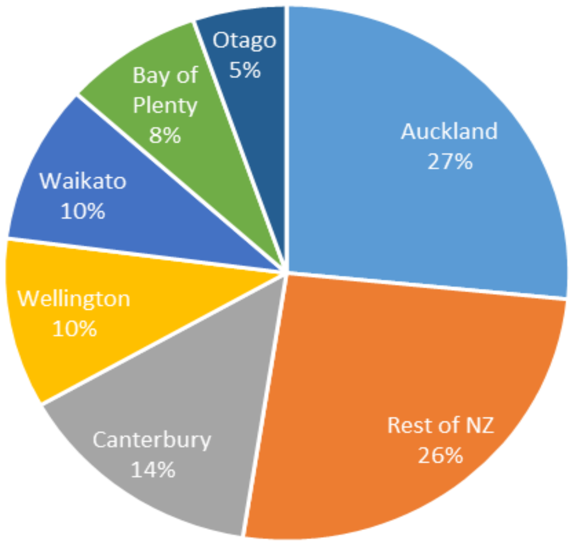
- Redevelopment purposes. The existing 40-bed Kilmarnock Heights Home in Berhampore for example, is being replaced with a new 72-bed home and 57 retirement apartments.
- Repurposing. The Wesleyhaven Village in Lower Hutt for example, is now the construction site for 25 social housing units.
- Facilities too old, closed down. Nazareth Rest Home in Whanganui for example, closed down because it was decided it was not sustainable to continue to use the current building for rest home and hospital services.
- Small operators exiting the market, due to impact of Pay Equity Legislation, insufficient funding and workforce shortages. Mission Rest Home for example, a 23-bed rest home facility in Taranaki closed after 25 years of operation due to these difficulties.

With the above being said and the challenges faced by smaller operators, the overall picture of the aged care facility market remains strong due to prolonged supply/demand imbalance. Residents are finding it hard to locate replacement homes and the waiting list continues to elongate.

Aged Care Bed Distribution Nov 2018

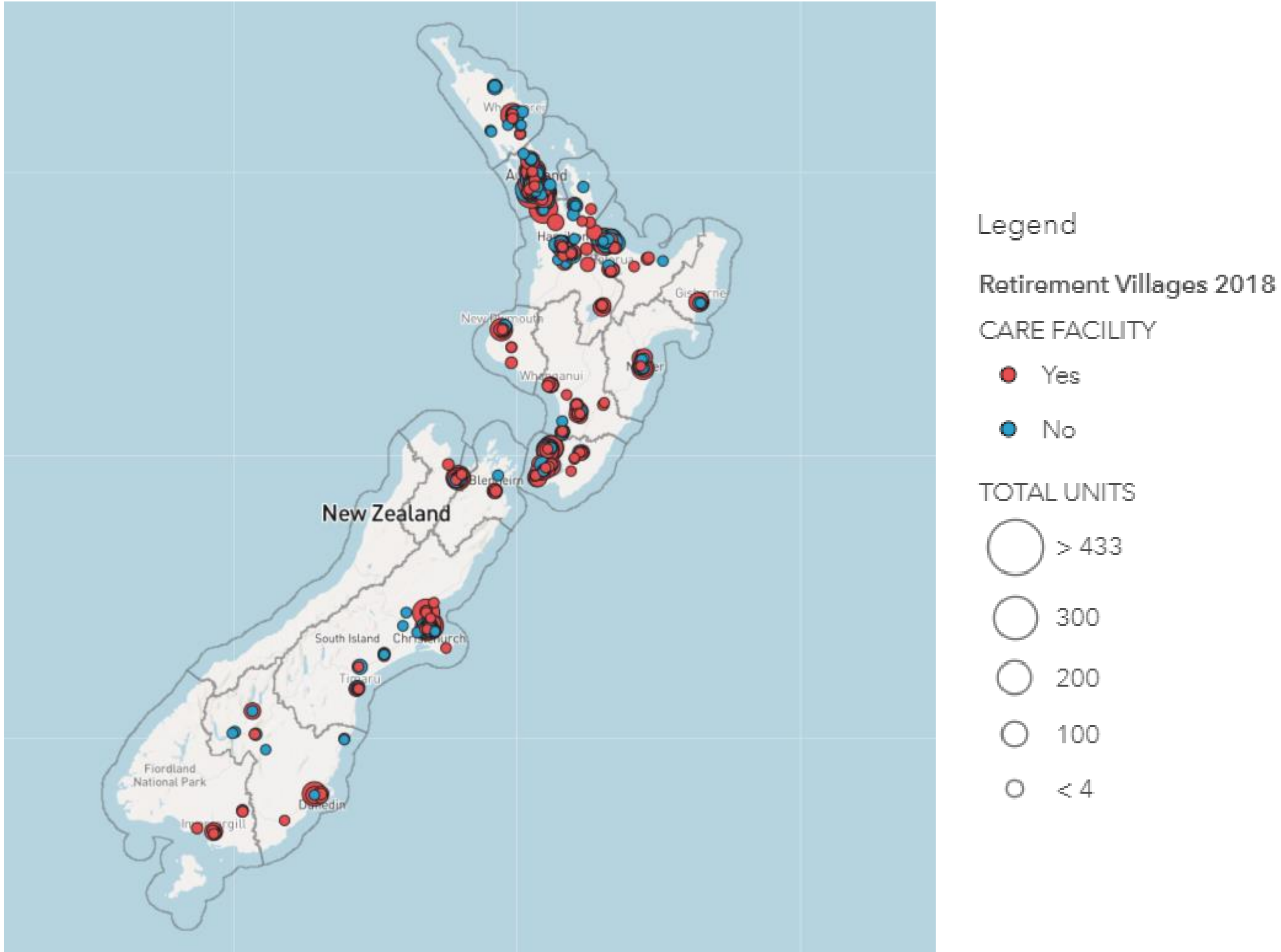


Population Aged 85+ Years June 2018



The distribution of aged care bed numbers by region is closely aligned with the distribution of New Zealand's population aged 85+ years. For example, the Auckland Region had an estimated count of just over 23,000 residents aged 85+ years as at June 2018, accounting for 27% of the total population aged 85+ years in New Zealand. While the Auckland Region contains approximately 10,500 aged care beds, which is 27% of New Zealand's total aged care beds.

Aged Care Facilities within Retirement Villages



A final point on aged care facilities is that of the 399 villages identified within the NZRVD 2018, two thirds contained an aged care facility.

An estimated 20,100 aged care beds are located within aged care facilities positioned within retirement villages, which is approximately 51% of the total aged care industry's bed count.

Conclusions and key takeaways

So, to recap. Our main high level conclusions for this year's analysis are:

1

New Zealand's population continues to age as expected which is creating a clear demand stream for retirement villages today and is expected to continue to do so in future.

2

The Retirement Village market across New Zealand continues to grow consistently and at pace.

3

As well as an ageing population, participation levels of over 75 year olds in retirement village living continues to increase year on year

4

The Big Six's market share has continued to be maintained at 57% but the growth in village numbers is currently being driven by smaller investors, developers and operators

5

The development pipeline has reduced during 2018 but still offers the market a considerable supply of new units to come over the next few years.

6

The aged care market continues to battle with more labour and cost intensive management requirements while also providing this key part of retirement living accommodation for those aged over 85 years old.

If you would like to become a subscriber to our database please do not hesitate to contact Lisa Chen for details on pricing and subscription terms.

Subscription

The yearly subscription fee is **$5,000** + GST per annum.

The 2018 Retirement Village Whitepaper and their 2018 New Zealand Retirement Village Database (NZRVD) as well as their 2018 New Zealand Aged Care Database (NZACD) is available for subscription.

The 2018 Retirement Village Whitepaper provides an in-depth insight into what the NZRVD 2018 has uncovered, particularly on the changes which have occurred between 2017 and 2018 database incorporating the latest NZ population estimates to June 2018. In this document we cover NZ demographic trends, retirement village supply, participation rates in the sector for those aged 75 and over, shine the spotlight on the 'Big Six' owners and operators, examine the development pipeline and, finally, investigate the aged care sector.

The 2018 Subscribers' NZRVD is a comprehensive all-in-one location for data on the retirement village industry in New Zealand, with 399 records of currently operating villages registered with the New Zealand Companies Office (NZCO) as well as the development pipeline for expanding villages developments (96 operating villages) and new village developments (74 future new villages).

The Subscribers' NZRVD includes:

- Village name and database ID
- Address of the Village with mapping coordinates
- Owner information
- Year established
- Facilities available at each village
- Tenure details
- Unit configuration by building type, number of unit totals
- Provision of an aged care facility – hospital, rest home and/or dementia unit bed counts
- Detailed currently operating development pipeline information and
- Detailed new villages development pipeline information

Additionally, the 2018 NZACD captures 672 records of currently operating certified aged care providers. The Subscribers' NZACD includes:

- Rest home name and database ID
- Address of the rest home with mapping coordinates
- Provider and owner information
- Number of beds and type of bed
- Facilities available at each rest home
- Continuation of Care
- Building age
- Additional room charges

The yearly subscription fee is **$5,000 + GST per annum**. Included within the subscription is the Subscribers' NZRVD, NZACD as well as the detailed 2018 Retirement Village whitepaper report. Subscribers are also entitled to four hours of ongoing client support relating to NZRVD database. If you would like access to the mapping application, it is an additional **$1,000 + GST per annum**.

If you are interested in either the report or the database, please contact Lisa Chen from JLL for subscription at lisa.chen@ap.jll.com or contact her at 021 181 3903. JLL also provide site specific demand/supply analysis, please contact them for more information.

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